



April 15, 2019

Ms. Anita Agramonte, Finance Director
City of Covina
125 East College Street
Covina, CA 91723

Dear Ms. Agramonte:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Covina Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on January 30, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 13 – Unfunded Employee Obligations in the total outstanding amount of \$2,900,000 continues to be denied. It is our understanding the Memorandum of Understanding (MOU) entered into for the period of July 1, 2013 through June 30, 2016 is between the City of Covina (City) and American Federation of State, County, and Municipal Employees; the former Redevelopment Agency (RDA) is not a party to this agreement. Therefore, this item is not an enforceable obligation and the requested amount of \$35,000 is ineligible for Other Funds.
- Item No. 36 – Housing Entity Administrative Allowance in the amount of \$150,000 requested in Other Funds is not allowed. This item was previously denied in our determination letter dated December 17, 2015 and Finance continues to deny this item. Pursuant to HSC section 34171 (p), the housing successor administrative cost allowance is applicable only in cases in which the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions. Because the housing successor to the former RDA is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered the City under dissolution law pursuant to HSC section 34167.10. Therefore, \$150,000 of housing successor administrative cost allowance is not allowed.
- Item Nos. 25 and 30 – Supplemental Educational Revenue Augmentation Fund loan and City Loan repayments totaling \$132,126 requested in Other Funds is partially allowed. HSC section 34191.4 (b) (3) (A) allows repayment to be equal to one-half of the increase between the ROPS residual pass-through distributed to the taxing entities in the preceding fiscal year and the ROPS residual pass-through distributed to the taxing entities in the fiscal year 2012-13 base year.

According to the Los Angeles, County Auditor-Controller's (CAC) report, the ROPS residual pass-through amount distributed to the taxing entities for fiscal year 2012-13 and 2019-20 are \$2,206,216 and \$2,338,343, respectively. Pursuant to the repayment formula, the maximum repayment amount authorized for the ROPS 19-20 period is \$66,064. Therefore of the \$132,126 requested, \$66,062 (\$132,126 – \$66,064) is not eligible for Other Funds. Per the Agency's request, the \$66,062 adjustment to Other Funds was applied equally to Item Nos. 25 and 30. The Agency may be eligible for additional funding on subsequent ROPS.

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$292,457 from Other Funds available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Therefore, with the Agency's concurrence, the funding source for the following item has been reclassified in the amount specified below:
 - Item No. 40 – 2004 Tax Allocation Bonds Series B-1 Reserves in the amount of \$357,456 is partially reclassified from RPTTF to Other Funds. This item does not require payment from property tax revenues and the Agency has \$292,457 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$64,999 and the use of Other Funds in the amount of \$292,457, totaling \$357,456.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 4 includes the prior period adjustment resulting from the CAC's review of the prior period adjustment form submitted by the Agency.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$2,707,174 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

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The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Kylie Oltmann, Supervisor, or Daisy Rose, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Alan Sands, Senior Accountant, City of Covina
Ms. Kristina Burns, Manager, Department of Auditor-Controller, Los Angeles County

Attachment

Approved RPTTF Distribution			
For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 71,250	\$ 2,972,537	\$ 3,043,787
Administrative RPTTF Requested	0	0	0
Total RPTTF Requested	71,250	2,972,537	3,043,787
RPTTF Requested	71,250	2,972,537	3,043,787
<u>Adjustments</u>			
Item No. 40	0	(292,457)	(292,457)
RPTTF Authorized	71,250	2,680,080	2,751,330
Administrative RPTTF Authorized	0	0	0
Total RPTTF Authorized for Obligations	71,250	2,680,080	2,751,330
Prior Period Adjustment	(44,156)	0	(44,156)
Total RPTTF Approved for Distribution	\$ 27,094	\$ 2,680,080	\$ 2,707,174